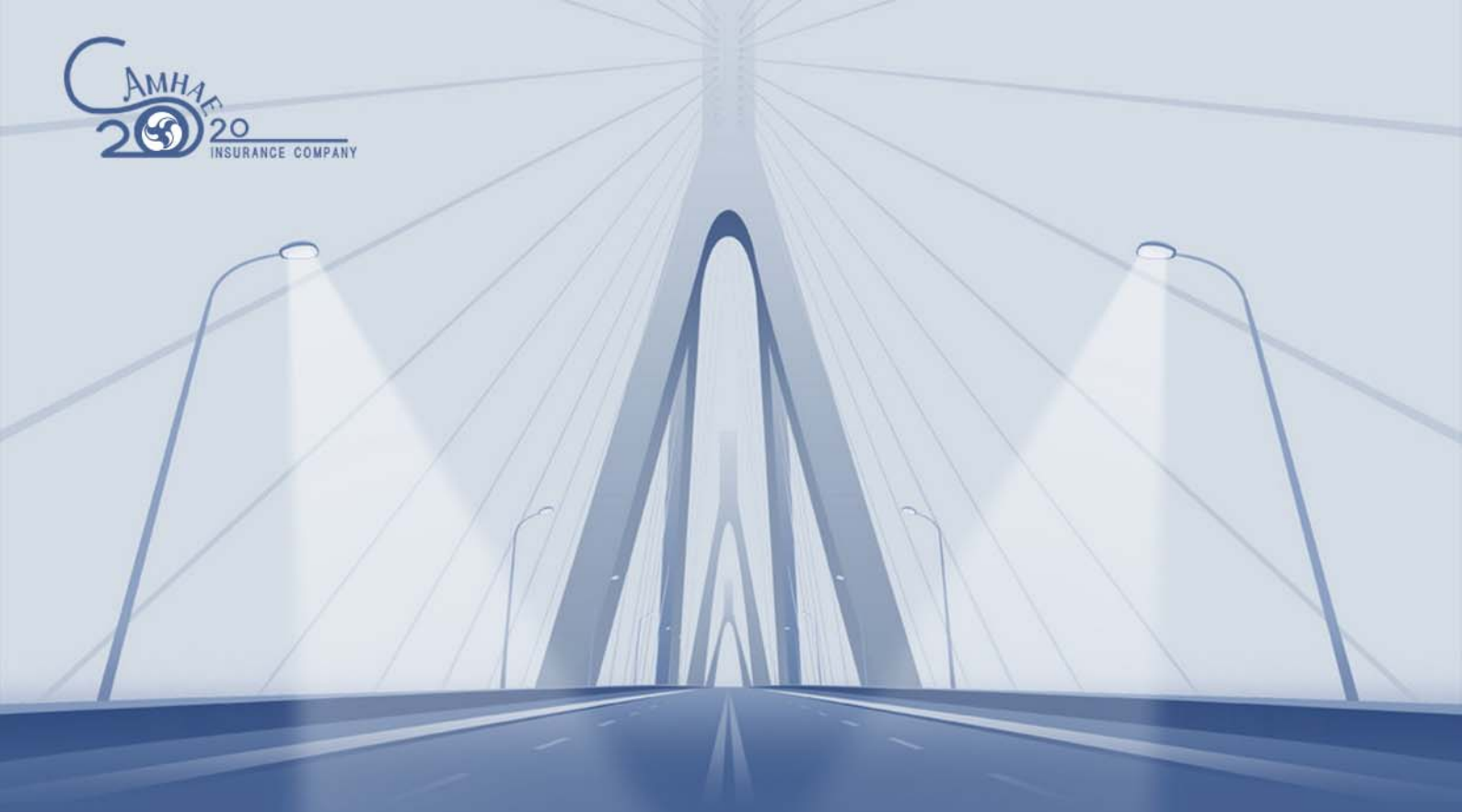
SAMHAE 20 INSURANCE COMPANY

Samhae Insurance Company

Annual Report

2020



VISION

To develop into a leading reliable insurer delivering quality insurance service tailor-made to each client's requirements with an eye to a sustainable business growth by virtue of up-to-date science and technology.

MISSION

To secure the clients against the potential risks and in the case of loss or damage immediately indemnify them to aid their speedy recovery.

CORE VALUE

To be consistent in adhering to the principles of integrity, transparency, promptness and accuracy in insurance service relying on the professionalism and rich experience.

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Company Profile

Samhae is an insurance company specializing in marine, aviation and liability insurance and insurance-linked services at home and abroad.

The Company delivers insurance service in all parts of the country utilizing a network of branches established in major cities.

In addition, it has built up business relationships with brokerage firms, insurers and reinsurers overseas to underwrite (re)insurance risks.

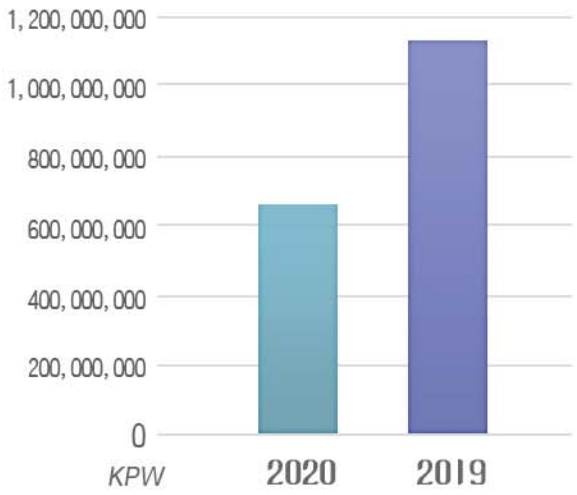
Company name	:	Samhae Insurance Company
Registered address	:	Haebangsan-dong, Central District, Pyongyang, DPR Korea
Date of establishment	:	6th October 2016
Registration number	:	BH10510061
Paid-up capital	:	KPW 3,000,000,000
Number of staff	:	108 staff in head office and branch offices
Type of business	:	Insurance and Reinsurance
Line of business	:	Marine, Aviation and Liability
Branch office	:	10 branch offices in major local cities
Telephone	:	850-2-18111 Ext. 3818539
E-mail	:	samhae@silibank.net.kp
Website	:	www.samhae.com

Financial Highlights

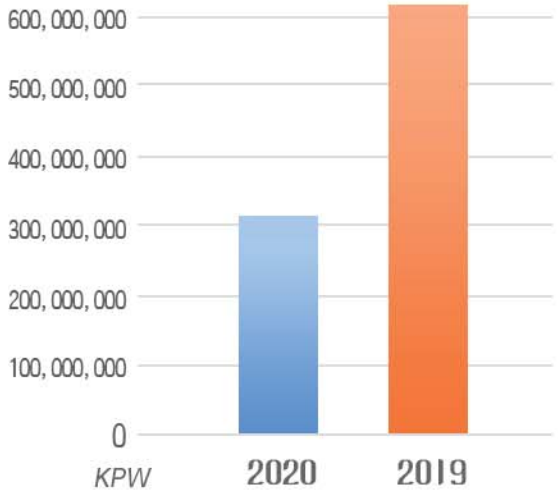
KPW ('000)

DESCRIPTION	2020	2019
Gross premiums written	674,775	1,186,861
Net underwriting result	312,265	630,241
Profit before payment to state	225,257	478,544
Profit for the year	157,680	334,981
Retained earnings	805,345	470,364
Total equity	3,963,025	3,805,345
Total assets	4,228,609	4,326,985

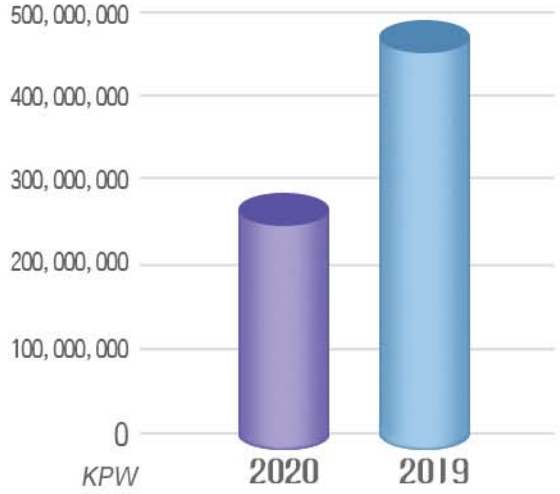
Gross premiums written



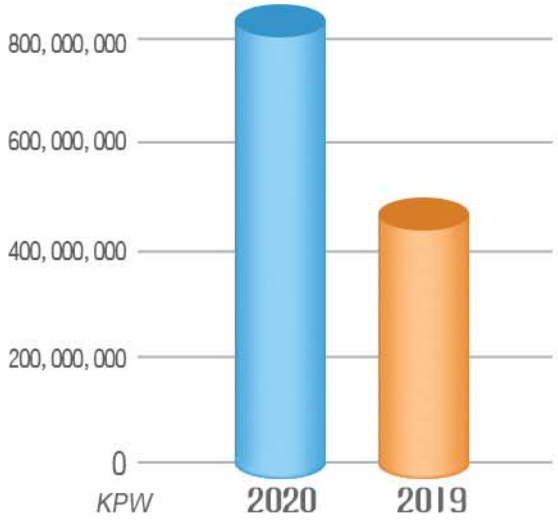
Net underwriting result



Profit before payment to state



Retained earnings



Message from Chairman of ECM/CEO

I am delighted to write to you to describe the performance of Samhae Insurance Company in 2020 as it is my first worthwhile job after the assumption of office as the Chairman of ECM and CEO of the Company.

This annual report contains the reports of business operation, financial performance, and digitization of insurance during the year under review, together with the external auditor's report.

In today's world, the risks affecting the individual person,corporate body and economy as a whole are becoming more sophisticated as days go by and the number of risks go on increasing.

Simultaneously with the economic activities of human beings increasingly multifarious, ever changing are the risks, which has brought all individuals and businesses to their present or new adversities and challenges.

The year 2020 was the one characterized by manifold hardships and challenges, especially plunging the mankind on this planet into a fight against horrible virus.

Moreover, the Covid-19 crisis came at such a time when the world insurance circles are heavily strained by huge payouts to the victims of more severe and devastating natural disasters from every quarter of the globe that it became another serious challenge to the industry.

Due to the worldwide health crisis caused by the spread of Covid-19, the various fields of world economies were badly hit and so was the insurance industry. The global insurance market showed a decline of 1.4% in 2020 far lower than the increases of 2.3% reported in 2019 and 4.8% in 2018.

The current unabated situation of the Covid-19 shows very little hope for a return to a normal of the global insurance market for the year to come.

However, under the wise leadership of our Party, our people overcame the manifold hardships and achieved a great victory in the struggle to eradicate the after-effects of natural disasters.

In 2020, even in the midst of severe trials and challenges, the Company managed to attain a net income of KPW 157,679,975.

Although it is not a remarkable result to boast of but we hold it more valuable than anything else because we succeeded under the unprecedented situation.

The Company tried its best to curb a growing deficit in operation as much as reasonably practicable arising from the payment of claims under the unfavourable circumstances where the premium income fell sharply and the premium refund piled up.

Giving priority to the major business line, cargo insurance, the Company developed new product to expand its range of services and gained some valuable experience of extending its reinsurance business with foreign insurers and reinsurers.

Hence the Company was awarded a national credit rating from the Ministry of Finance for the first time last year, being recognized as a corporate entity solid in financial strength and stable in creditability.

In the light of the prolonged world health crisis, the Company will develop new working principles to continue to protect the economic interests of the customers insured and promote the sustainable growth of business overcoming the existing adversities and challenges in the years to come.

Availing myself of this opportunity, I would like to express my heartfelt thanks in the name of the Company to all the members of staff who contributed to the business results during the period under review.

I would also like to thank all the clients insured, brokers, agents and (re)insurers for their active support for and trust in us during the year.

I commit myself to diligently fulfilling my obligations and duties as Chief Executive Officer in order to bring the future economic prosperity and development to the Company, safeguard the rights and interests of the whole insurance community and contribute substantially both to the development of national economy and the enhancement of the people's living standard.

Kim Myong Il

Chairman of Executive Committee of Management,

Chief Executive Officer

Executive Committee of Management

The Executive Committee of Management is the top governing body of Samhae Insurance Company.
The Committee consists of 5 members of senior administration officials.
The Committee undertakes to discuss and decide on the important matters relevant to the Company's business plan, economic line and operational policies on finance and accounting.

Chairman / CEO
Kim Myong Il

Member / Deputy CEO
Kim Song Ho

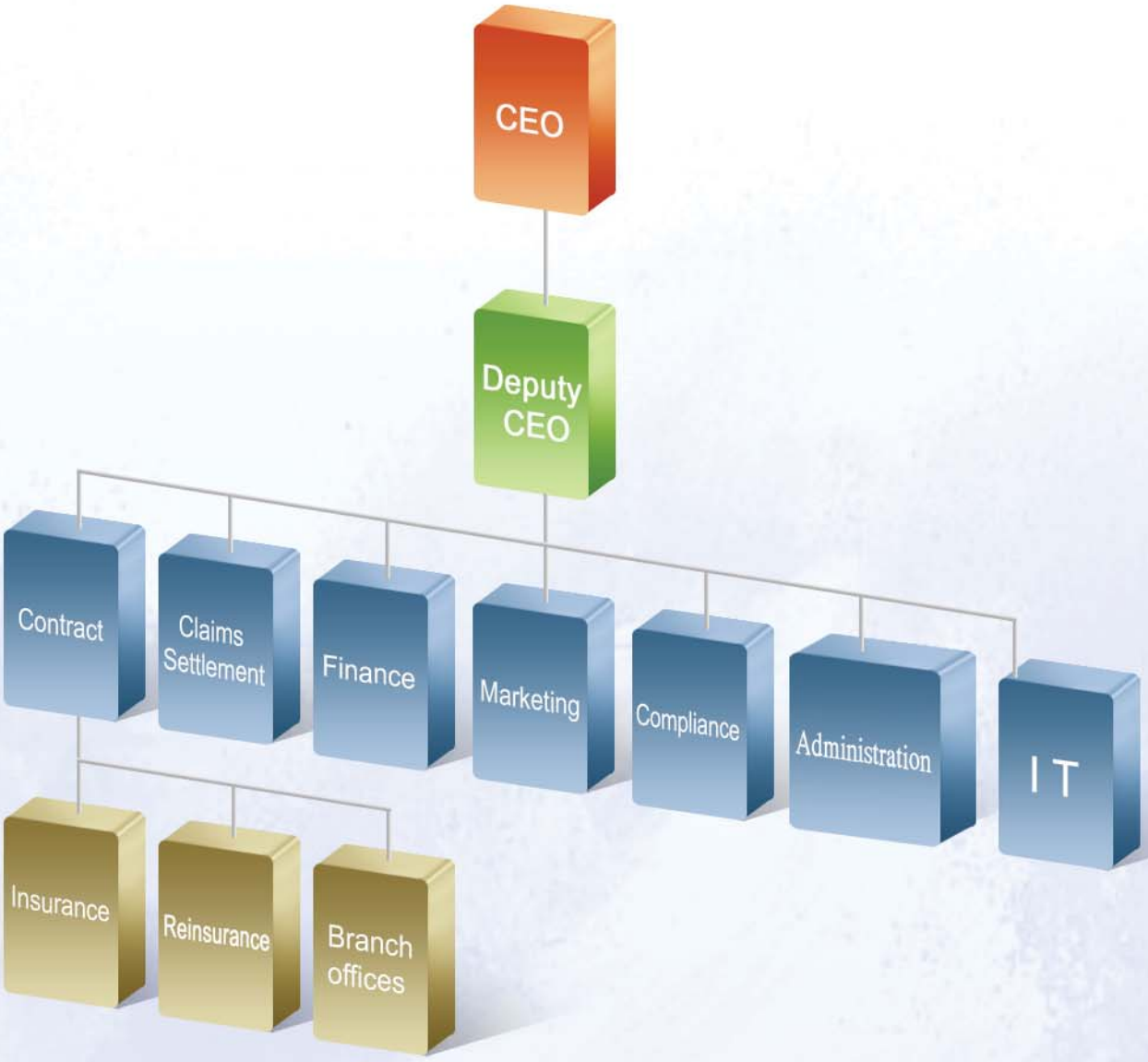
Member/ Chief Contracting Officer
Yun Il Hyok

Member/ Chief Financial Officer
Ri Kum Song

Member/ Head of Claims Department
Ri Jong Chol

Management Structure

The Company is structured around two business departments such as insurance & reinsurance contract and claims settlement, and other auxiliary departments at the head office. It has 10 local branch offices.



Report of Business Performance in 2020

The Company generated an annual net income of KPW 157,679,975 in the fiscal year 2020.

The year 2020 was one of the most crucial periods during which the Company had to go through the ordeal of running a business over the course of the past 5 years in its history.

Owing to the spread of Covid-19, the sailing of domestic vessels was suspended and the volume of cargo decreased, leading to undesirable effects such as a withdrawal of hull and P&I insurance contracts, refund of premium to the insureds and decline in annual premium income of cargo insurance.

The gross premiums written during the year under review dropped to KPW 674,775,536 representing 43.15% down from that of the previous year and the profit before payment to state fell to KPW 225,257,107 which meant a fall of 52.93% when compared to the previous year.

In order to cope with the unfavourable situation and to manage to remain solvent and stable in business operation, the Company promptly adapted a counter plan of introducing new business mode and providing additional services.

Cargo insurance still accounts for the biggest share of the Company's portfolio and it had also maintained the position as the Company's major line in 2020 with the annual written premium of KPW 652,084,784 which amounted to about 97% of gross written premium.

And the Company also propelled to develop and introduce new business products during the year. Moreover, the Company promoted efficiency of the insurance compensation by conducting a loss survey immediately after the occurrence of losses and paying compensation in a timely reasonable fashion.

The Company also underwrote inward reinsurance business and achieved profits to some extent during the year while the plan for placing it on a new safe and scientific basis is already well underway.

In 2020, the Company paid claims of KPW 415,271,797 in total and recorded net underwriting result of KPW 312,264,966.

The overall performance of the Company significantly contributed to the accomplishment of its mission as an insurer protecting the insureds from any possible risks, while reducing the operational deficit to sustain business growth amidst the manifold trials and difficulties.

In the year 2021, the Company will concentrate on rehabilitating the deflated insurance lines, activating the newly developed products and increasing the volume of reinsurance business so as to succeed in reaching a high income level.

The Company will also endeavour to increase the applicants for or buyers of its service by giving publicity to its insurance services in different forms and methods and continue to promote the development of new products identifying the need for cover as early as possible.

Report of Business Performance in 2020 *(Continued)*

Cargo

The written premium of Cargo in 2020 was KPW 652,084,784 with the majority generated from inland transport.

The annual premium of Cargo insurance was reduced by 7.59%, compared to the preceding year.

In special circumstances where the volume of marine cargoes went down to a great degree last year, the Company made a detailed survey and control of the transport risks in close cooperation with the associated organizations, stepped up advertisement for its cargo insurance products in various fields and provided extra services for policyholders.

The Company introduced the first loss insurance for the potential applicants who cannot afford to buy insurance for lack of money.

In order to sustain portfolio growth, the Company is now expanding the agents and encouraging their active roles in conducting business.

Marine Hull and P&I

The Marine Hull and P&I insurance recorded a gross written premium only of KPW 350,961 last year which had been slashed by a wide margin of 99% year on year.

Due to the outbreak and rapid spread of Covid-19, most of the domestic vessels were not permitted to sail across the sea, causing premium to be refunded to the policyholders which adversely affected the normal operation of the Company.

Provided that such an unfavourable situation of Covid-19 seems to last longer than expected this year, too, the Company presented innovative counter measures to underwrite the marine hull and P&I risks of vessels under layup and repair.

And in anticipation of the situation when the world health crisis passes and the restrictions on the vessels are lifted, the Company is focusing on marketing products among the shipping companies to persuade the ex-policyholders into restoring their policies as well as increase the sales of product in the near future.

Liability

Another distinct achievement of the Company last year is the introduction of new liability insurance product, Carrier's Liability Insurance.

The Company was so quick to grasp the increasing demand of cover in carrier's business in recent years that it could readily conduct the primary research and product development last year.

After drawing up the product design and business plan, the Company submitted an application of approval to the State Insurance Commission and finally gained its approval.

The Company is proceeding to complete the newly developed product based on pilot scheme and analysis of the feedback from our customers and potential issues that may arise out of future operation.

Last year the Company tried to maintain the level of premium in Port Liability insurance and as a result it wrote premium of KPW 20,128,767.

And the Company regularly organized on-the-spot risk surveys of the ports insured and strongly requested that all the defects and deficiencies detected or found during the inspections of risk management by the policyholders should be corrected in a timely manner.

Reinsurance

The Company bent its efforts again on the reinsurance business regarding it as the main link of vital importance for growing the capacity for providing cover and ensuring the stability of the Company's business year by year.

The reinsurance premium ceded was reduced to KPW 6,210,000 in 2020 by 46% from KPW 13,500,318 in 2019.

On the contrary, the Company wrote reinsurance premium of KPW 2,211,024 with no claims incurred or reported last year.

It is attributable to the Company's market research on a detailed basis aimed at strengthening the business relationships with the brokerage firms and insurance companies in Asia and Africa as well as with the local reinsurer and on the other hand, the strict adherence to the principle of careful selection depending on scientific analysis and objective assessment of the risks to be underwritten.

This year, too, the Company will do its best to expand its business relationships with brokers and (re)insurers through reinsurance so as to ensure the stability of its business, raise the profit margin and improve its position in the global insurance market.

Loss Settlement

The Company paid the claims in a timely fashion to enable the insureds affected to quickly remove the damages and rehabilitate their regular operation last year.

The total payout of claims decreased by 10% from KPW 460,932,040 in 2019 to KPW 415,271,797 in 2020.

The claims incurred in cargo insurance and port liability insurance were KPW 393,108,791 and KPW 1,651,456 respectively, each of which accounted for 94% and 0.4% of the total claims.

Other Services

In addition to insurance business, the Company also provides other insurance-related services including risk survey, loss survey and risk management and they were welcomed by the customers.

The Company pursues the goal that will provide perfect services for customers reducing its operating expenses and plans to expand the range of service on a global scale.

The Company has further plans to encourage co-operation with professional organizations abroad.

Management of Human Resources

The Company is giving a foremost importance to the management of human resources and the training of talents regarding the talent first policy as the motive force in the development of business.

The Company made detailed arrangements in the year under review to implement its plan of the management of human resources to be completed during the period of five-year strategy for the national economic development and set up a new plan of the management of human resources to be implemented for the period of new five-year plan in a far-sighted way.

According to the 2020-year plan for human resources, the Company arranged in-service training programs and workshops in a reasonable way for the members of staff as per their field and technical qualification and the entire employees both at head office and local branch offices took part in them via videoconference so that they achieved fruitful results during the year.

A lot of members of staff submitted some useful theses conducive to the development of insurance business of the Company. Especially some of the theses presented the realistic and essential resolutions such as the analysis on the current trends of the international marine insurance market, the program for the introduction of advanced technology to the insurance business, the research on business development line.

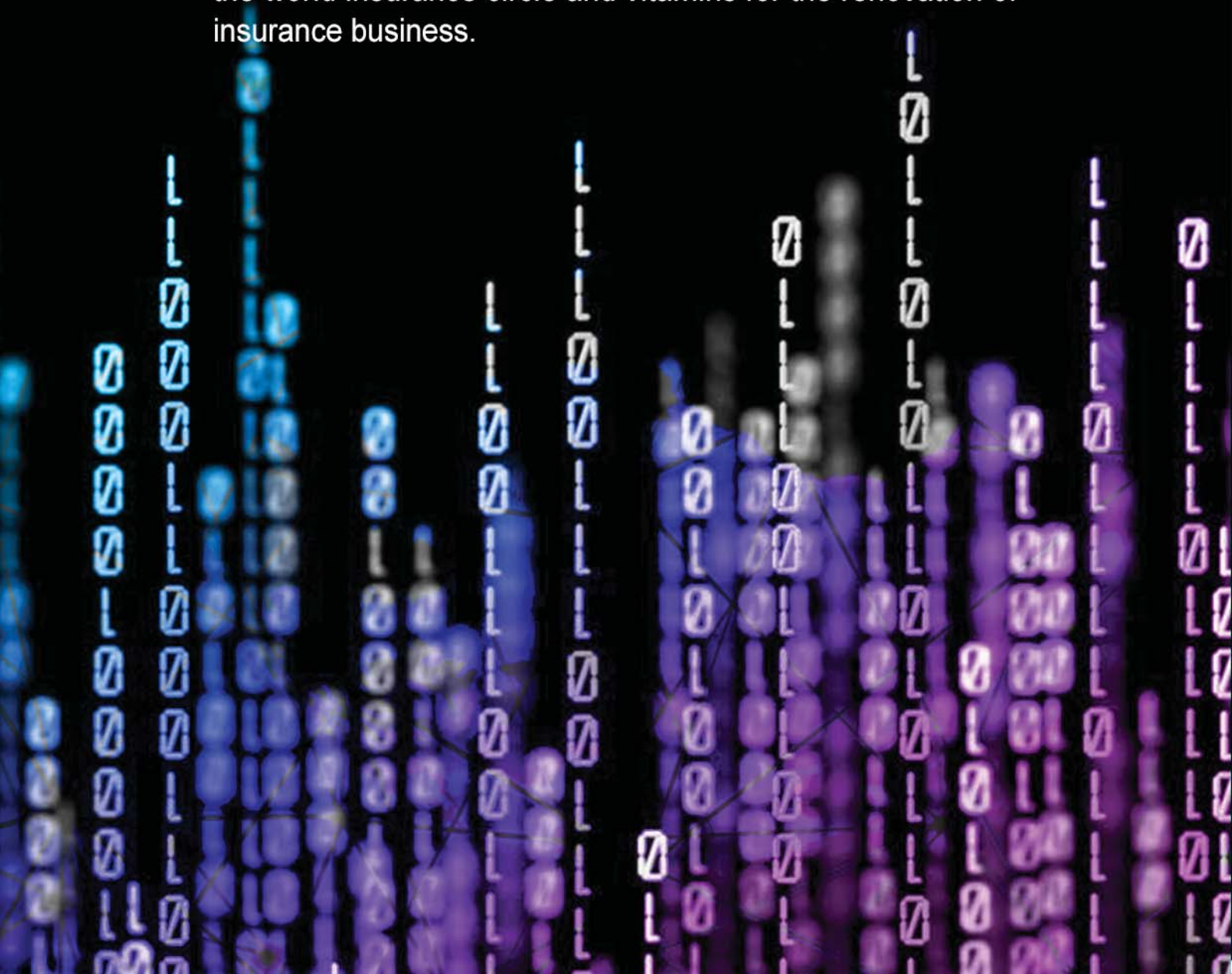
The Company selected the most appropriate programs and applied in the business performance.

The Company will continue to improve the management of human resources and select and allocate promising staff to the right positions in the future.

Report of Digitization of Insurance

“ Let Us Pave the Way To the InsurTech ”

It is the slogan that the Company had set out for the scientific development of the insurance business.
The development of InsurTech is becoming a new trend to the world insurance circle and vitamins for the renovation of insurance business.



Many insurance companies are jumping into the competitions of creating newer products of InsurTech and the global interest in InsurTech is increasing day after day.

It is a vital important project for us to introduce and adapt InsurTech to our business and the Company is investing much time and money in the project.

Especially in 2020 the Company took flexible measures to restructure the IT Department to a new department dealing mainly with InsurTech.

The department shall exercise the following functions:

(1) to work out plans for developing InsurTech, present an action plan to the Company and implement the same upon approval of the Company;

(2) to analyze the world insurance publications such as books, newspapers and magazines and prepare for the introduction of new technologies to the Company's business, being well aware of the global trends towards technological advancement; and

(3) to place the orders with software companies for new or updated software products conducive to improved business environment and to promote technical exchange with advanced insurance companies on the globe.

The Integrated Management System of Insurance Business was established last year to integrate the business of different offices at all levels such as headquarters and 10 local branches so that the information-oriented business environment of the Company was upgraded to a higher level.

And in the light of the fast growing trend towards the adoption of new technologies such as AI and Big Data in the economy and society, the Company is undertaking to research on the introduction of up-to-date scientific technologies in insurance business.

The Company is also applying the modern technical instruments and scientific modes in risk surveys and loss surveys.

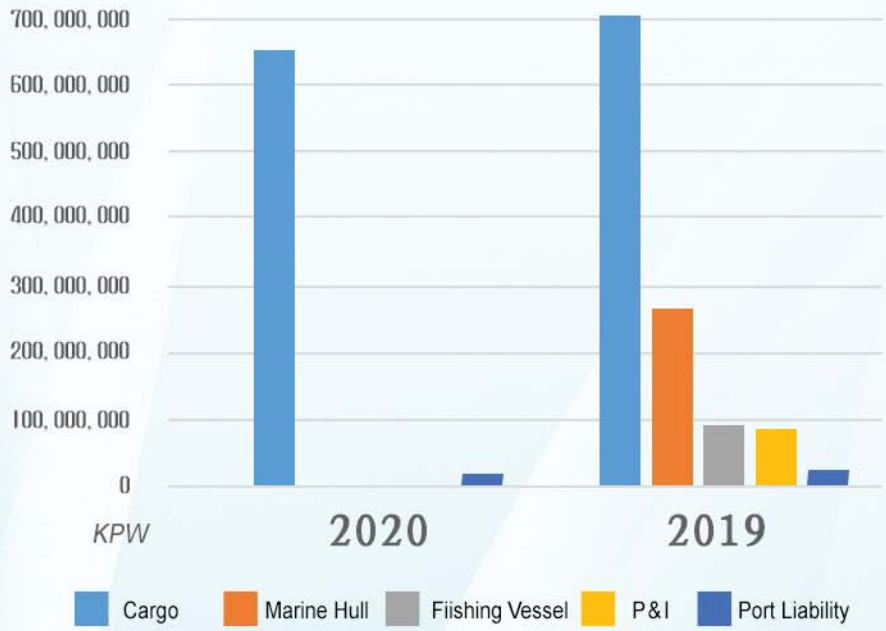
Samhae will make every effort to be a leading company in the field of InsurTech.

Underwriting Results

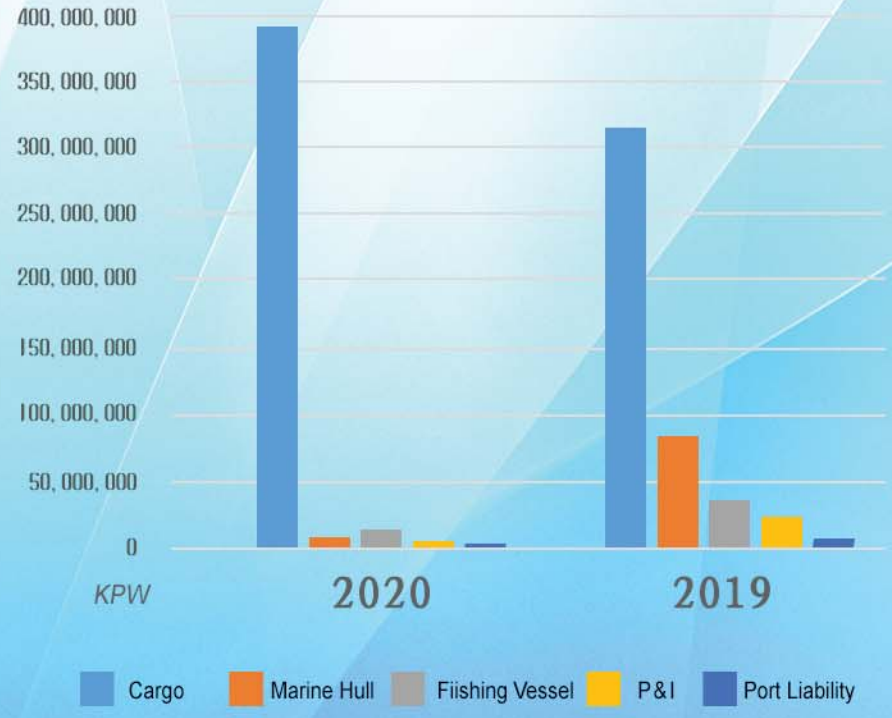
		KPW ('000)
Gross Premiums Written	**2020**	2019
Cargo	652,085	705,676
Marine Hull	77	267,758
Fishing Vessel	249	96,808
P&I	25	87,864
Port Liability	20,129	28,755

		KPW ('000)
Gross Claims Paid	**2020**	2019
Cargo	393,109	317,461
Marine Hull	7,206	83,655
Fishing Vessel	9,954	33,987
P&I	3,352	19,817
Port Liability	1,651	6,012

Premiums Written



Claims Paid



Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31st December 2020

KPW ('000)

Assets	2020	2019
Cash and cash equivalents	3,773,755	3,872,131
Trade receivables	65,205	41,863
Reinsurers' share of insurance contract liabilities	-	3,055
Deferred acquisition costs	4,066	11,806
Prepayments	7,259	4,566
Other receivables	3,975	1,261
Property and equipment	342,704	356,384
Intangible assets	31,645	35,919
Total Assets	**4,228,609**	**4,326,985**
Liabilities and Equity		
Liabilities		
Insurance contract liabilities	81,104	361,127
Provision for unearned premiums	47,279	300,745
Provision for outstanding claims	33,000	58,340
Other underwriting provision	825	2,042
Long-term debt	75,800	157,800
Other liabilities	108,680	2,713
Total Liabilities	**265,584**	**521,640**
Equity		
Paid-up capital	3,000,000	3,000,000
Retained earnings	805,345	470,364
Profit/loss for the period/year	157,680	334,981
Total Equity	**3,963,025**	**3,805,345**
Total Liabilities and Equity	**4,228,609**	**4,326,985**

STATEMENT OF PROFIT OR LOSS

For the year ended 31st December 2020

KPW ('000)

	2020	2019
Gross premiums written	674,775	1,186,861
Premiums ceded	(6,210)	(13,500)
Change in provision for unearned premiums	51,724	(32,136)
Change in reinsurers' share of provision for unearned premiums	-	-
Net premiums earned	**720,289**	**1,141,225**
Gross claims paid	(415,272)	(460,932)
Reimbursement of claims for risks ceded to reinsurers	-	-
Change in provision for outstanding claims	25,340	(18,820)
Change in other underwriting provision	1,217	3,491
Change in reinsurers' share of loss provision	-	-
Net claims incurred	**(388,715)**	**(476,261)**
Acquisition costs net of related commission income from reinsurance ceded	(19,309)	(34,723)
Net underwriting result	**312,265**	**630,241**
Other income	**24,477**	**4,310**
General and administrative expenses	**(111,485)**	**(156,007)**
Profit/loss before payment to state	**225,257**	**478,544**
Payment to state	(67,577)	(143,563)
Profit/Loss for the Period/Year	**157,680**	**334,981**

STATEMENT OF CASH FLOWS

For the year ended 31st December 2020

KPW ('000)

	2020	2019
Cash flows from operating activities		
Cash from operating activities	51,201	524,470
Payment to state	(67,577)	(143,563)
Net cash from operating activities	**(16,376)**	**380,907**
Cash flows from investing activities		
Purchase of assets	-	(12,974)
Net cash from investing activities	-	(12,974)
Cash flows from financing activities		
Net borrowings	(82,000)	(252,200)
Net cash from financing activities	**(82,000)**	**(252,200)**
Net change in cash and cash equivalents	**(98,376)**	**115,733**
Cash and cash equivalents at the beginning of the period/year	3,872,131	3,756,398
Cash and Cash Equivalents at the End of the Period/Year	**3,773,755**	**3,872,131**

Independent Auditor's Report

What we have audited

The financial statements of the Company comprise:

• the statement of financial position as at 31st December 2020;

• the statement of profit or loss for the year ended 31st December 2020;

• the statement of cash flows for the year ended 31st December 2020;

Samhae Insurance Company's responsibility for the financial statements

The company is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Law and Accounting Law of DPRK and in the manner required by International Financial Reporting Standards (IFRSs).

Auditor's responsibility

Our responsibility is to check these financial statements and notify Samhae Insurance Company of our official results.

We have audited financial statements in accordance with Financial Law, Accounting Law and Auditing Law of DPRK and International Standards on Auditing (ISAs).

In order to verify the accuracy of financial statements, we selected the crucial documentation according to our criteria and checked the figures shown therein together with assets management status.

Not only the accuracy of financial statements but also the competency of accounting principles were closely examined.

We believe that we have done our job and presented our opinion as professional auditors on a reasonable basis.

Audit opinion

We opine that the audited financial statements give a true and fair view of the financial position of the Samhae Insurance Company as at 31st December 2020, and of its financial performance and cash flows for the year then ended in line with International Financial Reporting Standards (IFRSs) and have been properly prepared in compliance with Financial Law and Accounting Law of DPRK.

Han Myong Il, Director, Pyongyang Office of Auditors of DPR Korea

O Un Hyang, Manager, Pyongyang Office of Auditors of DPR Korea

29th April, 2021

Pyongyang Office of Auditors of DPR Korea

SAMHAE will be the lighthouse leading to
the fairway in the turbulent sea of business.